

COMMONWEALTH OF VIRGINIA

GENERAL FUND PRELIMINARY (UNAUDITED) ANNUAL REPORT

For the Fiscal Year Ended June 30, 2002

Presented on a Budgetary (Cash) Basis



**David A. Von Moll
Comptroller
August 15, 2002**

TABLE OF CONTENTS

Comptroller's Letter of Transmittal	iii
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SUMMARY OF GENERAL FUND ACTIVITY

Preliminary Balance Sheet - General Fund - Budgetary (Cash) Basis	2
Preliminary Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budgetary (Cash) Basis	3
Preliminary Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund - Budgetary (Cash) Basis	4
Preliminary Comparison of Sum-Sufficient Final Budget Appropriations with Actual Expenditures - General Fund - Budgetary (Cash) Basis	5

GENERAL FUND GRAPHICS

General Fund - Fund Balance, Fiscal Years 1998-2002	9
General Fund - Cash, Cash Equivalents, and Investments, Fiscal Years 1998-2002	9
General Fund - Revenues by Revenue Class and Other Sources, Fiscal Year 2002	10
General Fund - Expenditures by Function and Other Uses, Fiscal Year 2002	10
General Fund - Expenditures by Object, Fiscal Year 2002	11
General Fund - Revenues and Other Sources and Expenditures and Other Uses by Month, Fiscal Year 2002	11

<u>GENERAL FUND NOTES</u>	13
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<u>GLOSSARY</u>	19
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COMMONWEALTH of VIRGINIA

DAVID A. VON MOLL, CPA
COMPTROLLER

Office of the Comptroller

P. O. BOX 1971
RICHMOND, VIRGINIA 23218-1971

August 15, 2002

The Honorable Mark R. Warner
Governor
Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Warner:

In compliance with the provisions of Section 2.2-813 of the *Code of Virginia*, I hereby submit my preliminary annual report on the financial condition of the General Fund of the Commonwealth for the fiscal year ended June 30, 2002.

The Commonwealth ended the 2000-02 biennium with a total fund balance in the General Fund of \$632.9 million measured on the budgetary (cash) basis of activity. This is a decrease of \$561.1 million, or 47 percent, from last year's ending fund balance of \$1.194 billion. During the biennium, the fund balance decreased \$1.222 billion, or 66 percent, due in part to the \$467.7 million appropriation drawdown from the Revenue Stabilization Fund. Planned (budgeted) decreases in fund balance for the biennium were \$1.421 billion. The first graph on page 9 shows a comparison of the General Fund balance for the last five years.

Revenue Stabilization Fund

The Revenue Stabilization Fund has principal and interest on deposit of \$472.4 million reserved as a part of General Fund equity. In fiscal year 2002, as required by Section 1-82, item 270 of Chapter 814, 2002 Acts of Assembly, a deposit of \$187.1 million was made into the Revenue Stabilization Fund and a transfer of \$467.7 million was made from the Revenue Stabilization Fund to the General Fund.

The Revenue Stabilization Fund is routinely segregated from the General Fund, but Virginia law directs that the Revenue Stabilization Fund be included as a component of the General Fund for financial reporting purposes. Therefore, it is included here both as a cash asset and as a reserved component of fund balance. The Revenue Stabilization Fund can be used only for constitutionally authorized purposes.

The amount on deposit cannot exceed ten percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the three preceding fiscal years. The maximum amount allowed in fiscal year 2002 is \$934.5 million and the maximum amount allowed for fiscal year 2003 is estimated at \$963.0 million. A deposit based on fiscal year 2002 revenues is not required.

Amounts Available for Reappropriation

Section 4-1.06a.1 of Chapter 899, 2002 Acts of Assembly, requires reappropriation of 2002 fiscal year unexpended appropriations for Legislative and Judicial Departments, as well as Independent Agencies. Additionally, this Section of the Act gives the Governor authority to reappropriate unexpended Executive Department appropriations. Section 4-1.06a.2 gives the Governor authority to withhold reappropriations if funds are not available.

Based on an analysis by the Department of Planning and Budget of unexpended appropriations at June 30, 2002, \$122.0 million will be considered for reappropriation in fiscal year 2003 for operations, \$117.7 million for capital outlay project needs, and \$2.5 million for natural disaster sum sufficient amounts. As of June 30, 2002, sufficient cash is not available to designate these entire amounts.

Virginia Water Quality Improvement Fund

Section 10.1-2128 of the *Code of Virginia* established the Virginia Water Quality Improvement Fund. The Fund was established to provide Water Quality Improvement Grants to various entities to assist in pollution prevention and reduction. The Fund shall consist of amounts appropriated by the General Assembly. Unless otherwise specified by the general appropriation act, these appropriations shall consist of ten percent of revenues collected in excess of the official estimate and ten percent of any unreserved fund balance not required for reappropriation. In prior years, we have designated the amounts that represent ten percent of the excess revenue collections and ten percent of the unreserved fund balance not required for reappropriation. No designations are required for the year ended June 30, 2002, for the Virginia Water Quality Improvement Fund.

Basis of Presentation

This preliminary annual report is comprised of budgetary (cash) basis financial statements that present the financial condition, results of operations, and changes in fund balance of the Commonwealth's General Fund. The notes to the financial statements are an important and integral part of the statements.

This preliminary annual report is presented on an unaudited basis. In preparing this report, we relied upon the internal accounting controls of the Commonwealth that are designed to provide management with reasonable, but not absolute, assurances that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are properly recorded to permit the preparation of financial statements.

Final Report and Award

The final Annual Report of the Comptroller, due on December 15, 2002, will include certain accruals and other information required for conformance with generally accepted accounting principles. It will be audited and will include any material adjustments recommended by the Auditor of Public Accounts.

We are proud to report that the Comprehensive Annual Financial Report for the year ended June 30, 2001, was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). This is the sixteenth consecutive year that Virginia's Annual Report has received this award. In addition, Virginia received a companion award from the GFOA for its fiscal year 2001 Popular Report, entitled *Virginia Financial Perspective*. This is the seventh consecutive year that Virginia's Popular Report has received this award.

Respectfully submitted,



David A. Von Moll

Enclosure

SUMMARY OF GENERAL FUND ACTIVITY

[illegible]

Commonwealth of Virginia
Preliminary Balance Sheet
General Fund - Budgetary (Cash) Basis (Unaudited)
June 30, 2002
(Dollars in Thousands)

Assets

Cash, Cash Equivalents, and Investments	\$ 634,148	
Cash and Travel Advances	<u>1,167</u>	
Total Assets		<u><u>\$ 635,315</u></u>

Liabilities and Fund Equity

Liabilities:

Deposits Pending Distribution	<u>2,346</u>	
Total Liabilities		\$ 2,346

Fund Equity:

Reserved Fund Balance:

Revenue Stabilization Reserve Fund (Note 6)	472,376	
Payroll Reserve for July 1, 2002 Payroll	65,371	
Unexpended Lottery Proceeds (Note 7)	<u>25,218</u>	
Total Reserved Fund Balance		<u>562,965</u>

Unreserved Fund Balance:

Designated (Note 9):		
Amount Required for Reappropriation of 2002 Unexpended Balances		
Capital Outlay	<u>70,004</u>	

Total Designated Fund Balance	70,004	
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Undesignated Fund Balance	<u>-</u>	
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Total Unreserved Fund Balance		<u>70,004</u>
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Total Fund Equity		<u>632,969</u>
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Total Liabilities and Fund Balance		<u><u>\$ 635,315</u></u>
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The accompanying notes are an integral part of this statement.

Commonwealth of Virginia
Preliminary Statement of Revenues, Expenditures,
and Changes in Fund Balance
General Fund - Budgetary (Cash) Basis (Unaudited)
For the Fiscal Years Ended June 30, 1998 through June 30, 2002
(Dollars in Thousands)

	Year Ended				
	June 30, 2002	June 30, 2001	June 30, 2000	June 30, 1999	June 30, 1998
Revenues:					
Taxes:					
Individual and Fiduciary Income	\$ 6,710,772	\$ 7,226,309	\$ 6,828,906	\$ 6,087,851	\$ 5,405,440
Sales and Use (Note 3)	2,429,845	2,272,954	2,201,533	2,065,265	1,919,216
Corporation Income	290,215	363,757	565,909	420,421	450,780
Public Service Corporations	77,152	93,427	104,197	111,949	101,782
Premiums of Insurance Companies	292,702	268,060	251,074	244,910	236,971
Other Taxes	487,826	434,332	438,616	450,656	377,462
Total Taxes	10,288,512	10,658,839	10,390,235	9,381,052	8,491,651
Rights and Privileges	37,997	36,928	34,098	34,623	26,795
Sales of Property and Commodities	281	66	1,146	2,955	533
Assessments and Receipts for Support of Special Services	445	399	170	323	240
Institutional Revenue	9,194	7,888	9,142	8,353	10,636
Interest, Dividends, and Rents	138,121	171,177	150,545	139,824	115,470
Fines, Forfeitures, Court Fees, Penalties, and Escheats	152,801	134,162	127,280	128,945	119,141
Receipts from Cities, Counties, and Towns	9,060	8,805	9,368	10,097	10,784
Private Donations, Gifts and Contracts	-	-	5	2	-
Tobacco Master Settlement	59,846	51,276	66,938	-	-
Other	41,215	80,350	24,717	10,019	7,181
Total Revenues (Note 2)	10,737,472	11,149,890	10,813,644	9,716,193	8,782,431
Expenditures:					
General Government	1,345,368	1,069,409	809,485	591,531	381,435
Education	5,542,589	4,188,331	3,921,500	3,713,657	3,226,260
Transportation	16,002	29,703	232	47	24
Resources and Economic Development	251,856	241,704	226,280	213,466	168,587
Individual and Family Services	2,550,020	2,488,152	2,333,410	2,082,840	1,962,171
Administration of Justice	1,910,280	1,939,881	1,780,235	1,658,837	1,478,440
Capital Outlay	119,046	36,714	40,076	32,557	25,250
Total Expenditures	11,735,161	9,993,894	9,111,218	8,292,935	7,242,167
Revenues Over (Under) Expenditures	(997,689)	1,155,996	1,702,426	1,423,258	1,540,264
Other Financing Sources (Uses):					
Transfers:					
Operating Transfers Mandated by Appropriation Act (Note 4)	-	-	-	396,453	388,595
Operating Transfers In	820,466	525,101	452,636	5,003	3,968
Operating Transfers In From Component Units (Note 5)	-	2,660	1,940	37	2,161
Operating Transfers Out	(383,915)	(623,677)	(324,743)	(344,328)	(244,119)
Operating Transfers Out To Component Units (Note 5)	-	(1,721,304)	(1,576,558)	(1,325,031)	(1,183,787)
Total Other Financing Sources (Uses)	436,551	(1,817,220)	(1,446,725)	(1,267,866)	(1,033,182)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(561,138)	(661,224)	255,701	155,392	507,082
Fund Balance, July 1					
Reserved	993,154	745,488	616,589	473,722	292,316
Unreserved	200,953	1,109,843	983,041	970,516	644,840
Fund Balance, July 1	1,194,107	1,855,331	1,599,630	1,444,238	937,156
Fund Balance, June 30					
Reserved	562,965	993,154	745,488	616,589	473,722
Unreserved	70,004	200,953	1,109,843	983,041	970,516
Fund Balance, June 30	\$ 632,969	\$ 1,194,107	\$ 1,855,331	\$ 1,599,630	\$ 1,444,238

The accompanying notes are an integral part of this statement.

Commonwealth of Virginia
Preliminary Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
General Fund - Budgetary (Cash) Basis (Unaudited)
For the Fiscal Year Ended June 30, 2002
(Dollars in Thousands)

	General Fund			Final Budget/ Actual Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes:				
Individual and Fiduciary Income	\$ 7,994,800	\$ 6,964,900	\$ 6,710,772	\$ (254,128)
Sales and Use (Note 3)	2,464,800	2,412,800	2,429,845	17,045
Corporation Income	473,600	295,600	290,215	(5,385)
Public Service Corporations	79,200	95,500	77,152	(18,348)
Premiums of Insurance Companies	273,600	288,000	292,702	4,702
Other Taxes	430,300	474,700	487,826	13,126
Rights and Privileges	36,200	33,400	37,997	4,597
Sales of Property and Commodities	100	1,600	281	(1,319)
Assessments and Receipts for Support of Special Services	300	300	445	145
Institutional Revenue	8,400	8,700	9,194	494
Interest, Dividends, and Rents	152,000	112,300	138,121	25,821
Fines, Forfeitures, Court Fees, Penalties, and Escheats	150,100	141,700	152,801	11,101
Receipts from Cities, Counties, and Towns	10,500	9,000	9,060	60
Tobacco Master Settlement	63,300	59,300	59,846	546
Other	15,879	39,721	41,215	1,494
Total Revenues (Note 2)	<u>12,153,079</u>	<u>10,937,521</u>	<u>10,737,472</u>	<u>(200,049)</u>
Expenditures:				
Current:				
General Government	1,501,154	1,407,686	1,345,368	62,318
Education	5,808,535	5,559,328	5,542,589	16,739
Transportation	134,417	16,002	16,002	-
Resources and Economic Development	295,586	270,169	251,856	18,313
Individual and Family Services	2,432,634	2,560,153	2,550,020	10,133
Administration of Justice	1,960,237	1,921,625	1,910,280	11,345
Capital Outlay	303,803	236,269	119,046	117,223
Total Expenditures	<u>12,436,366</u>	<u>11,971,232</u>	<u>11,735,161</u>	<u>236,071</u>
Revenues Over (Under) Expenditures	<u>(283,287)</u>	<u>(1,033,711)</u>	<u>(997,689)</u>	<u>36,022</u>
Other Financing Sources (Uses):				
Transfers:				
Operating Transfers In	376,340	781,201	820,466	39,265
Operating Transfers Out	(218,010)	(385,246)	(383,915)	1,331
Total Other Financing Sources (Uses)	<u>158,330</u>	<u>395,955</u>	<u>436,551</u>	<u>40,596</u>
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(124,957)	(637,756)	(561,138)	76,618
Fund Balance, July 1	<u>1,194,107</u>	<u>1,194,107</u>	<u>1,194,107</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 1,069,150</u>	<u>\$ 556,351</u>	<u>\$ 632,969</u>	<u>\$ 76,618</u>

The accompanying notes are an integral part of this statement.

Commonwealth of Virginia
Preliminary Comparison of Sum-Sufficient Final Budget Appropriations
with Actual Expenditures
General Fund - Budgetary (Cash) Basis (Unaudited)
For the Fiscal Year Ended June 30, 2002
(Dollars in Thousands)

	<u>Final Budget Appropriations</u>	<u>Actual Expenditures</u>	<u>Amount Under Budget</u>
Enactment of Laws	\$ 29,057	\$ 25,646	\$ 3,411
Financial Assistance to Localities -- From Sale of Alcoholic Beverages and Other Distributions	55,043	55,043	-
Financial Assistance for Special State Revenue Sharing -- From Sales Tax and Lottery Proceeds	914,897	913,986	911
Cash Management Improvement Act Payment to the Federal Government	739	739	-
	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 999,736</u>	<u>\$ 995,414</u>	<u>\$ 4,322</u>

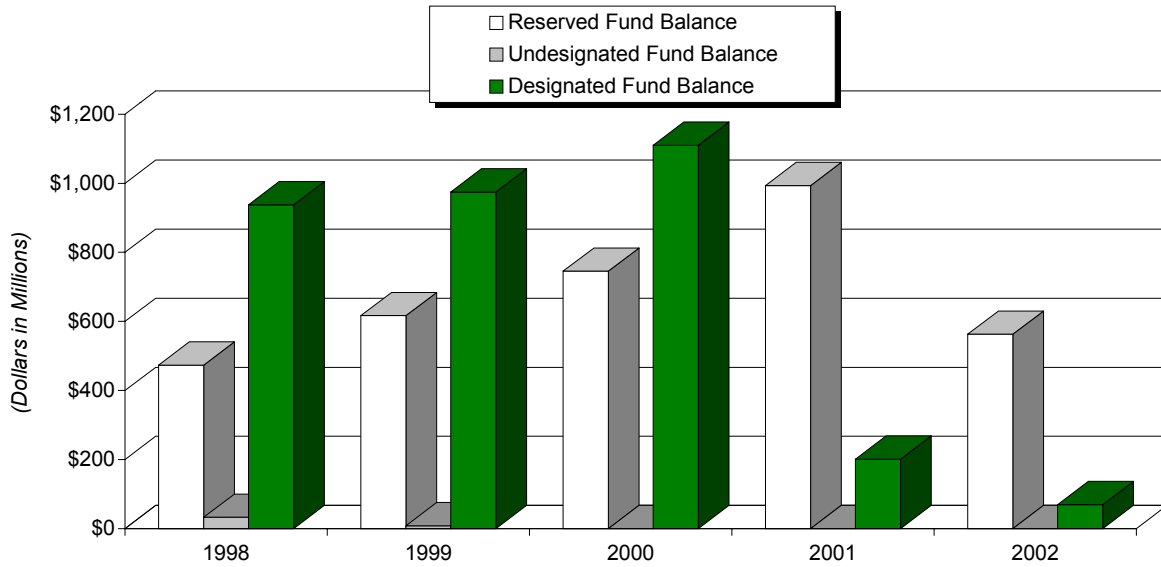


GENERAL FUND GRAPHICS

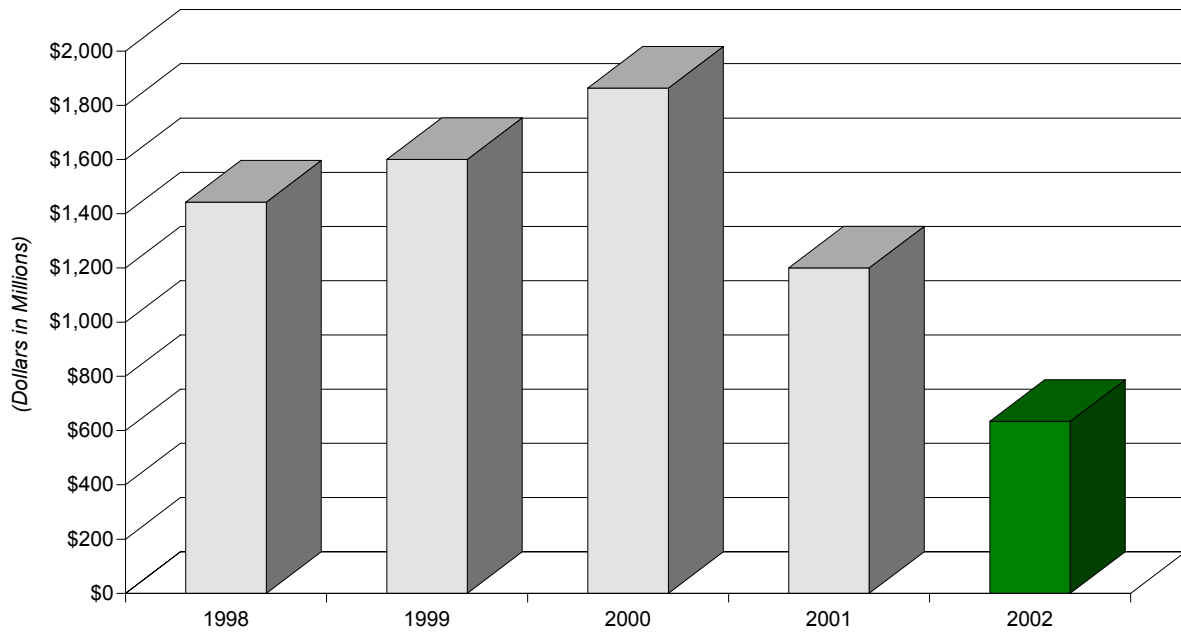
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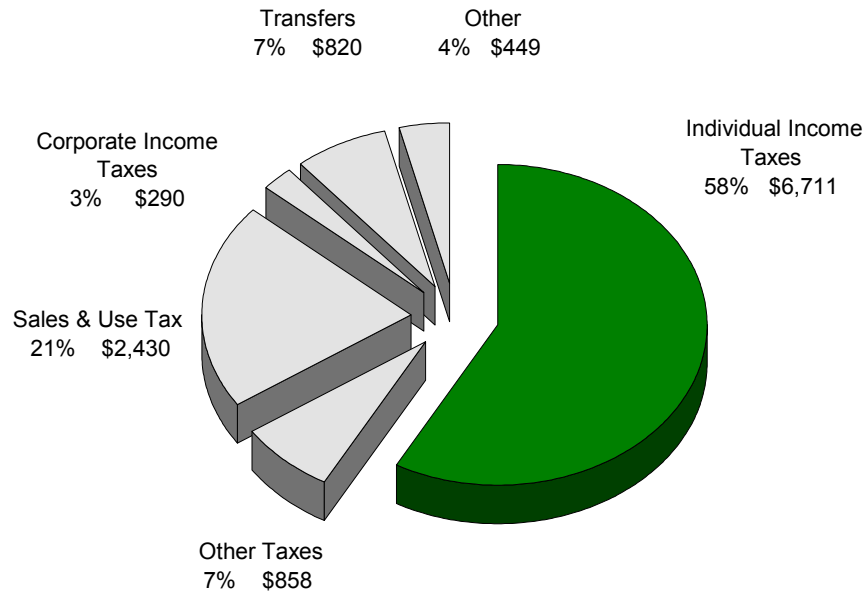
**General Fund
Fund Balance
Fiscal Years 1998-2002**



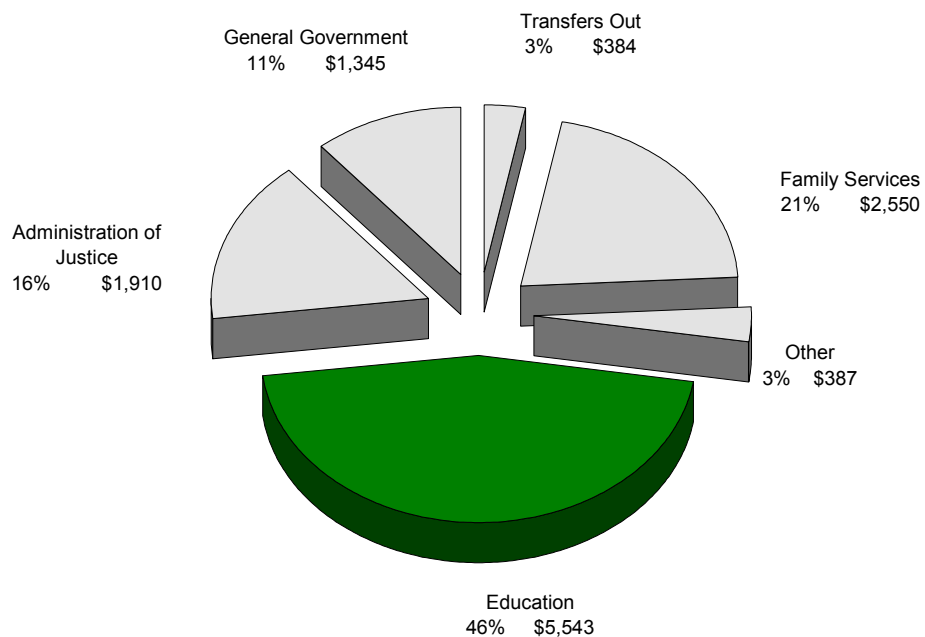
**General Fund
Cash, Cash Equivalents, and Investments
Fiscal Years 1998-2002**



**General Fund
Revenues by Revenue Class and Other Sources
Fiscal Year 2002
(Dollars in Millions)**

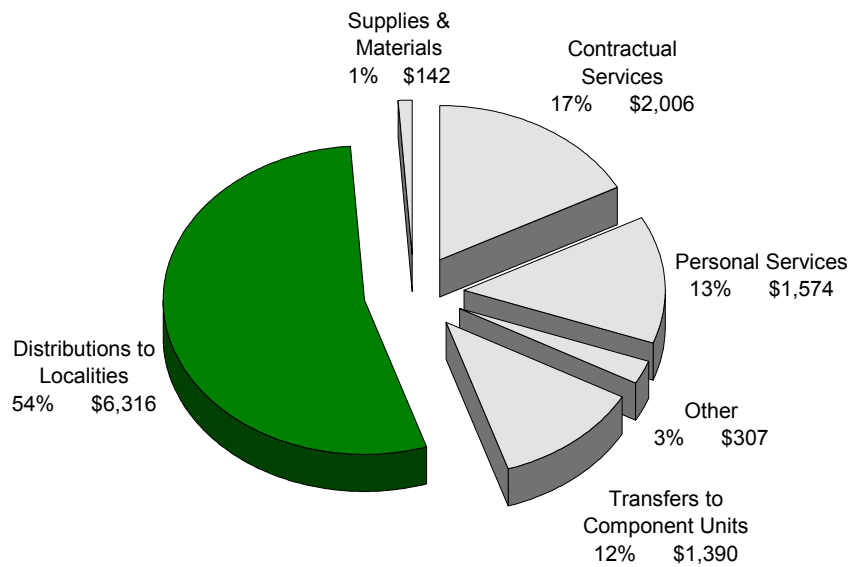


**General Fund
Expenditures by Function and Other Uses
Fiscal Year 2002
(Dollars in Millions)**

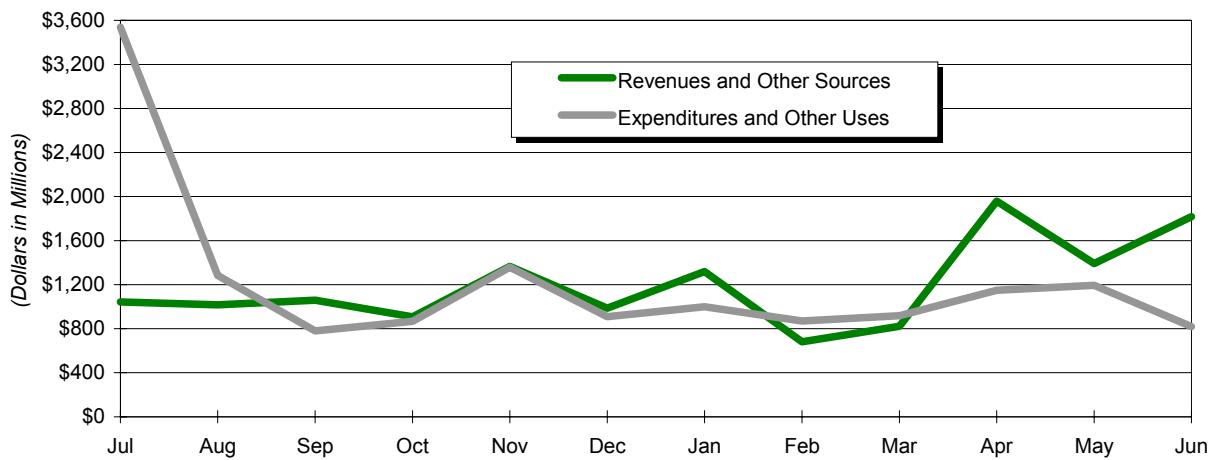


Note: General Government expenditures include \$826.2 million paid to localities pursuant to the Personal Property Tax Relief Act of 1998. This represents 61 percent of the General Government expenditures.

**General Fund
Expenditures by Object
Fiscal Year 2002
(Dollars in Millions)**



**General Fund
Revenues and Other Sources and
Expenditures and Other Uses by Month
Fiscal Year 2002**



Note: July expenditures include \$1.424 billion in payments to Higher Education.



GENERAL FUND NOTES

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COMMONWEALTH OF VIRGINIA

NOTES TO PRELIMINARY FINANCIAL STATEMENTS

JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying General Fund financial statements of the Commonwealth of Virginia have been prepared on a budgetary (cash) basis of accounting. Revenues and expenditures are recorded at the time cash is actually received or disbursed according to the provisions of the Appropriation Act; therefore, no accruals of revenues or expenditures have been included.

The General Fund includes transactions related to cash received and used for those services traditionally provided by a state government, which are not accounted for in other funds. It is a governmental fund and therefore its focus is on the measurement of financial position and related changes thereto, rather than on income determination. No other funds are presented in this report.

All funds will be presented using the appropriate bases of accounting as defined by generally accepted accounting principles in the Annual Report of the Comptroller, to be issued December 15, 2002.

B. Budget

Budgetary amounts shown in the financial statements represent Chapter 1073, Acts of Assembly (original) and Chapter 814, Acts of Assembly (final), both as adjusted for executive and other administrative actions. The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. The Governor, as required by the *Code of Virginia*, submits to the General Assembly a State budget composed of all proposed expenditures, estimated revenues and borrowings for a biennium.

The budget is prepared on a biennial basis; however, the budget of the General Fund contains separate appropriations for each year within the biennial budget, as approved by the General Assembly and signed into law by the Governor. For management control purposes, the budget is controlled at the program level. The Director of the Department of Planning and Budget may transfer an appropriation within a State agency or from one State agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly.

2. ANALYSIS OF GENERAL FUND REVENUE

The Department of Accounts produces a monthly General Fund Statement of Revenue Collections, Estimates, and Transfers. The following analysis relates components of the Preliminary General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual with the monthly revenue report for June 30, 2002.

<i>(Dollars in Thousands)</i>	Preliminary Financial Statements	Monthly Statement of Revenue	Variance
Total Final Budgeted Revenue	\$ 10,937,521	\$ 10,916,000	\$ 21,521 (a)
(a) Appropriation Act transfers included in budgeted revenue on the Preliminary Financial Statements		21,482	
Other transfers included in budgeted revenue on the Preliminary Financial Statements		39	
		<u>\$ 10,937,521</u>	
Total Actual Revenue	\$ 10,737,472	\$ 10,678,954	\$ 58,518 (b)
(b) Reversal of prior year reclass of Non-sufficient Fund Checks not reflected on the Revenue Report		\$ 615	
Interest on the Revenue Stabilization Fund not reported in the Revenue Report		37,392	
Appropriation Act transfers recorded as revenue on the Preliminary Financial Statements		21,417	
Other transfers recorded as revenue on the Preliminary Financial Statements		208	
Personal Property Tax Relief Act - Refund of Prior Year Disbursements not included in the Revenue Report		241	
Non-sufficient Fund Checks reclassified as a reduction in revenue for financial reporting purposes		(1,355)	
		<u>\$ 10,737,472</u>	
Revenue Shortfall	<u>\$ 200,049</u>	<u>\$ 237,046</u>	

3. **ACCELERATED SALES TAX COLLECTIONS**

Pursuant to section 3-5.01 of Chapter 814, 2002 Acts of Assembly, the Commonwealth collected \$149.4 million in accelerated sales and use taxes in June 2002. This portion of the \$2.4 billion sales and use tax collections recorded as fiscal year 2002 revenues was accelerated from revenues that would otherwise have been collected in July 2002 and recorded as fiscal year 2003 revenues in these cash basis financial statements. Section 3-5.01 of Chapter 899, 2002 Acts of Assembly retains this acceleration through fiscal year 2005, with a gradual phase-out during fiscal years 2006-2012. Subsequent to June 30, 2002, \$21.3 million will be transferred to the Transportation Trust Fund.

4. APPROPRIATION ACT TRANSFERS

Prior to fiscal year ended June 30, 2000, Appropriation Act transfers were reported on a separate line item. For fiscal year ended June 30, 2002, Appropriation Act transfers are \$727.4 million. The following analysis shows where Appropriation Act transfers are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

<u>(Dollars in Thousands)</u>	<u>Appropriation Act Transfers</u>
Revenue - Other	\$ 21,417
Transfers In	745,525 (c)
Expenditures - Education	(799)
Transfers Out	<u>(33,733)</u>
Total Appropriation Act Transfers	<u>\$ 732,410 (d)</u>

(c) Includes ABC Profit transfers of approximately \$39.9 million.

(d) Excludes the \$5 million repayment of the deficit loan made during the year as required by Item 3-1.01X of Chapter 814, 2002 Acts of Assembly.

5. OPERATING TRANSFERS IN FROM/OUT TO COMPONENT UNITS

Prior to fiscal year ended June 30, 2002, operating transfers in from and out to component units were reported on a separate line item. Pursuant to the Governmental Accounting Standards Board, Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, which is effective for fiscal year 2002, these line items have been eliminated. Accordingly, these amounts have been reclassified as revenues or expenditures in the accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance.

6. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. During fiscal year 2002, a deposit of \$187.1 million and a withdrawal of \$467.7 million were made. A deposit is not required based on FY 2002 revenue collections; however, this is pending certification by the Auditor of Public Accounts.

The Revenue Stabilization Fund has principal and interest on deposit of \$472.4 million reserved as a part of General Fund equity. The amount on deposit cannot exceed ten percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. The maximum amount allowed is \$934.5 million and \$963.0 million for FY 2002 and FY 2003, respectively. The FY 2003 maximum is pending certification by the Auditor of Public Accounts.

7. UNEXPENDED LOTTERY PROCEEDS

In accordance with Article X, Section 7-A of the *Constitution of Virginia*, lottery proceeds must be distributed to the Commonwealth's localities and the school divisions to be expended for the purposes of public education. The lottery proceeds for FY 2002 totaled \$367.2 million and the FY 2001 unexpended proceeds totaled \$19.3 million. During FY 2002, the Commonwealth appropriated and expended \$361.3 million. The remaining cumulative lottery proceeds of \$25.2 million are reserved for the year ended June 30, 2002.

8. VIRGINIA WATER QUALITY IMPROVEMENT FUND

Section 10.1-2128 of the *Code of Virginia* established the Virginia Water Quality Improvement Fund. The Fund was established to provide Water Quality Improvement Grants to various entities to assist in pollution prevention and reduction. The Fund shall consist of amounts appropriated by the General Assembly. Unless otherwise specified by the general appropriation act, these appropriations shall consist of ten percent of revenues collected in excess of the official estimate and ten percent of any unreserved fund balance not required for reappropriation. There were no revenues in excess of the official estimate and all amounts are required for reappropriation; therefore, no designations are required for the year ended June 30, 2002, for the Virginia Water Quality Improvement Fund.

9. DESIGNATED FUND BALANCE

The amounts designated on the Balance Sheet represent tentative plans for the future utilization of current financial resources. For FY 2002, the Department of Planning and Budget determined total designations are \$242.2 million. This amount consists of \$239.7 million required for the reappropriation of 2002 unexpended balances and \$2.5 million for natural disaster sum sufficient amounts. The Balance Sheet reflects \$70.0 million designated for capital outlay unexpended balances. Sufficient cash is not available to designate the remaining \$172.2 million of unexpended balances.

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GLOSSARY

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BALANCE SHEET

1. **Cash, Cash Equivalents, and Investments** - All cash, cash equivalents, and investments are maintained by the Treasurer of Virginia. Cash includes demand deposits, time deposits, and certificates of deposit. Cash equivalents are investments with an original maturity of three months or less. Short-term investments held are stated at cost, which approximates market value.
2. **Cash and Travel Advances** - Funds advanced to agencies to make immediate cash payments for authorized purposes. Also included are funds advanced to agency employees to cover expenses incurred while traveling on State business.
3. **Deposits Pending Distribution** - This represents miscellaneous amounts held by several agencies in suspense accounts pending distribution.
4. **Reserved Fund Balance** - Items are reserved to indicate that a particular portion of fund balance is not available to fund operations at the end of the fiscal year.
5. **Designated Fund Balance** - Designations are established to reflect tentative plans for future utilization of current financial resources. Generally accepted accounting principles require limiting such designations in the event that their accumulation and presentation would cause a negative unreserved, undesignated fund balance to occur. The designated portion of fund balance represents unexpended appropriations at the close of the fiscal year which will be considered for reappropriation by the Department of Planning and Budget in the next fiscal year.
6. **Undesignated Fund Balance** - The amount of fund balance remaining from operations of the current and prior years, net of amounts established as reserved and designated. As of June 30, 2002, there is no unreserved undesignated fund balance remaining.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Revenues:

7. **Taxes** - Charges of money imposed by the Commonwealth on persons or property for public purposes.
8. **Rights and Privileges** - Registration fees, licenses, and permits. Examples include domestic and foreign corporate registration fees and marriage licenses.
9. **Sales of Property and Commodities** - Revenue collected from sales of Commonwealth assets and goods. Examples include sales of State publications.
10. **Assessments and Receipts for Support of Special Services** - Revenues collected for services provided by the Commonwealth's agencies. An example is audit services provided to cities, counties, and towns.
11. **Institutional Revenue** - Revenue generated primarily from sales by the Departments of Corrections and Mental Health, Mental Retardation and Substance Abuse Services. Examples include the sale of farm and dairy products.
12. **Interest, Dividends, and Rent** - Interest earnings and rental income. Examples include interest on Commonwealth bank accounts and investments and interest on delinquent taxes. Interest allocated to various other funds is not included here.
13. **Fines, Forfeitures, Court Fees, Penalties, and Escheats** - Fines, penalties, etc., primarily collected by the Department of Taxation and the court system. Examples include court processing fees and penalties for nonpayment of taxes.

14. **Receipts from Cities, Counties, and Towns** - Revenue collected from city and county treasurers representing miscellaneous fees and allowances of local law enforcement officials.
15. **Private Donations, Gifts, and Contracts** - This amount represents donations and grants from individuals and private companies to State programs, such as donations to the Frontier Culture Museum.
16. **Tobacco Master Settlement** - This amount represents the revenue generated from the Tobacco Master Settlement Agreement with tobacco companies.
17. **Other Revenue** - All other revenue collections that are not included in the above categories. Examples include refunds of expenditures and miscellaneous disbursements made in prior years, excess fees paid into the State Treasury, and recovery of Statewide indirect costs.

Expenditures:

18. **General Government** - Expenditures to support the general activities of the state, regional, and local levels of government. Examples include administrative and support services, general financial assistance to localities, information systems management and direction. Also included is tax relief reported as expenditures pursuant to the Personal Property Tax Relief Act (PPTRA) of 1998. The tax relief level was 12.5 percent, 27.5 percent, 47.5 percent, and 70.0 percent for tax years 1998 to 2001, respectively, and remained at 70 percent for 2002. The expenditures associated with this relief were \$181.3 million, \$322.1 million, \$604.1 million, and \$826.2 million for fiscal years 1999 to 2002, respectively.
19. **Education** - Expenditures to assist individuals in developing knowledge, skills, and cultural awareness. Examples include elementary and secondary education, instruction, supervision and assistance and higher education.
20. **Transportation** - Expenditures related to the movement of people, goods, and services and their regulation. Examples include ground, water and air transportation.
21. **Resources and Economic Development** - Expenditures to develop the economic base, including alternative natural resources and to regulate it with regard to varied public interests of the Commonwealth. Examples include resource management, economic development, promotion and improvement, as well as the regulation of professions and occupations.
22. **Individual and Family Services** - Expenditures to support the economic, social and physical well being of the individual and family. Included are disease research, prevention, and control, state health services and community health services.
23. **Administration of Justice** - Expenditures related to civil and criminal justice, including apprehension, trial, punishment, and rehabilitation of law violators. Examples include crime deterrence, suppression and control, adjudication, confinement and community custody.
24. **Capital Outlay** - Construction and preparation of Commonwealth assets.

Other Financing Sources (Uses):

25. **Operating Transfers In** - This balance reflects transfers in from other nongeneral funds.
26. **Operating Transfers Out** - The balance represents transfers from the General Fund to other nongeneral funds.



If you have any questions or comments regarding information contained in this report, please contact us at

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